

Message Text

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TAGS: EEC, ENRG

SUBJECT: EC OFFICIAL ON ENERGY AND THE CIEC

1. SUMMARY. A SENIOR EC OFFICIAL IN A SPEECH TO A BRUSSELS INTERNATIONAL RELATIONS CLUB ARGUED THAT THE STRATEGY THAT EVOLVED FROM THE WASHINGTON ENERGY CONFERENCE -- ORGANIZE THE INDUSTRIAL COUNTRIES, ROPE IN THE LDCS AND TWIST THE ARM OF THE PRODUCERS -- HAS FAILED. WE CAN NOW SEE THAT THE IMPACT OF THE NEW PRICES HAS BEEN LESS CATASTROPHIC ON THE ECONOMIES OF THE INDUSTRIALIZED COUNTRIES THAN WAS FIRST FEARED. THEREFORE THE DIALOGUE CAN PROCEED IN A MORE RELAXED ATMOSPHERE. THE CURRENT OBJECTIVE IS TO BRING THE PRODUCERS INTO THE WORLD OF MACRO-ECONOMIC THOUGHT PREVAILING IN THE INDUSTRIALIZED COUNTRIES. THE UK POSITION DID NOT DIFFER FROM THAT OF THE OTHER EC MEMBER STATES THEREFORE ITS CLAIM TO A SEPARATE SEAT WAS NOT BASED ON REALITY AND WAS UNACCEPTABLE. END SUMMARY.

2. IN AN AFTER-LUNCH ADDRESS ON NOV 12 TO A LOCAL DUTCH-SPEAKING AUDIENCE IN BRUSSELS INTERESTED IN INTERNATIONAL RELATIONS, EC COMMISSION DIRECTOR GENERAL FOR EXTERNAL RELATIONS
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WELLENSTEIN DISCUSSED THE ENERGY SITUATION AND THE CONFERENCE

ON INTERNATIONAL ECONOMIC COOPERATION (CIEC).

3. WELLENSTEIN SAID THE ENTIRE FRAMEWORK OF INTERNATIONAL RELATIONS UNDERWENT A FUNDAMENTAL AND HISTORIC CHANGE WHEN THE OPEC COUNTRIES DECIDED TO BECOME INVOLVED IN THE MANAGEMENT OF OIL PRODUCTION AND PRICING INSTEAD OF SIMPLY COLLECTING ROYALTIES. THIS DEVELOPMENT HAD A PARTICULARLY SERIOUS EFFECT ON WESTERN EUROPE AND JAPAN, WHOSE ECONOMIES ARE BASED ON THE "VALUE ADDED" CONCEPT. BY CONTRAST, THE US AND THE USSR ARE MAJOR PRODUCERS OF OIL AND OTHER RAW MATERIALS.

4. WELLENSTEIN NOTED THAT WHILE THERE WERE MANY AREAS RELATING TO ENERGY WHERE US AND EUROPEAN INTERESTS WERE PARALLEL, THERE WERE ALSO DIFFERENCES IN OUR INTERESTS. EUROPE HAD LESS AT STAKE THEN THE US IN PROTECTING ITS DOMESTIC OIL PRODUCTION. IT WAS MORE IMPORTANT TO EUROPE TO MAINTAIN GOOD RELATIONS WITH ITS NEIGHBORS IN THE MIDDLE EAST THAN TO THE US, AND A CONFRONTATIONAL POLICY COULD NOT SERVE EUROPEAN INTERESTS.

5. WELLENSTEIN SAID THE STRATEGY THAT EMERGED FROM THE WASHINGTON ENERGY CONFERENCE IN FEB OF 1974 WAS TO ORGANIZE THE INDUSTRIALIZED COUNTRIES FIRST, THEN ROPE IN THE LDCS AND FINALLY TWIST THE ARM OF THE PRODUCERS. THIS FAILED, HE SAID, BECAUSE THE LDCS REFUSED TO BE ROPED IN AND THE OIL PROBLEM BECAME "DROWNED" IN AN OVERALL DEBATE ON RAW MATERIALS. MOST EUROPEAN GOVERNMENTS NO LONGER HOPE TO USE PRESSURE TO LOWER OIL PRICES OR AT LEAST NOT IN SUCH CRUDE TERMS.

6. WELLENSTEIN SAID THE PROBLEM CREATED BY THE PRICE HIKES WAS NOT AS BAD AS HAD BEEN FIRST BELIEVED. SINCE THE INITIAL PRICE JUMP OIL REVENUES TO THE PRODUCERS HAVE DROPPED BY SOME 35 PERCENT IN REAL TERMS. HE ATTRIBUTES THIS TO THE WEAKNESS OF THE DOLLAR, INFLATIONARY INCREASES IN COST OF IMPORTS BY THE PRODUCERS AND "OCCULT" OIL DELIVERIES. MOREOVER, THE BALANCE OF PAYMENTS IMPACT OF HIGHER OIL PRICES HAS BEEN MUCH SMALLER THAN WAS EXPECTED. THE US HAS A POSITIVE BALANCE, JAPAN IS BREAKING EVEN AND THE BENELUX COUNTRIES HAVE ONLY SMALL DEFICITS. ONLY THE UK, IRELAND, DENMARK AND ITALY HAVE SIGNIFICANT DEFICITS AND IN THE CASE OF THE UK AND IRELAND THEY RESULT FROM FACTORS OTHER THAN THE PRICE OF OIL. ONLY THE STRONGEST PRODUCERS

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(SAUDI ARABIA AND A FEW OTHERS) STILL HAVE SURPLUSES. IRAN IS RUNNING A DEFICIT.

7. WELLENSTEIN BELIEVES THAT IT WILL THEREFORE BE POSSIBLE TO CONDUCT THE DIALOGUE WITH THE PRODUCERS IN A MORE RELAXED ATMOSPHERE. THE OBJECT NOW IS TO BRING THE PRODUCERS INTO THE WORLD OF MACRO-ECONOMIC THOUGHT AND BEHAVIOR THAT PREVAILS IN THE INDUSTRIALIZED COUNTRIES RATHER THAN TO ATTEMPT TO ESTABLISH A COUNTER-CARTEL.

8. WELLENSTEIN SAID THAT WITH OR WITHOUT NORTH SEA OIL THE ECONOMIC SUCCESS OF THE COMMUNITY'S MEMBER STATES DEPENDS PRIMARILY ON THE SMOOTHFUNCTIONING OF THEIR ECONOMIES. HE DOES NOT BELIEVE, THEREFORE, THAT THE UK'S REAL INTERESTS IN COMMUNITY POLICY DIFFER FROM THOSE OF THE OTHER MEMBER STATES.

9. WELLENSTEIN NOTED THAT OFTEN WHEN THE COMMUNITY IS ABOUT TO ACT TOGETHER ONE MEMBER STATE THROWS A SPANNER IN THE WORKS: FRANCE WAS THE CULPRIT IN WASHINGTON AND NOW THE UK WITH REGARD TO THE CIEC. HE SAID THAT THE UK CLAIM FOR A SEPARATE SEAT AT THE CONFERENCE WAS NOT BASED ON REALITY AND IT WAS IMPOSSIBLE TO AGREE TO IT. GREENWALD

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